

Message Text

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ACTION ARA-20

INFO OCT-01 ADP-00 IGA-02 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 TAR-02 AGR-20 RSR-01 /154 W

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R 092121Z JUL 73

FM AMEMBASSY LA PAZ

TO SECSTATE WASHDC 396

LIMITED OFFICIAL USE SECTION 1 OF 2 LA PAZ 4139

E.O. 11652: N/A

TAGS: EFIN, BL

SUBJ: MONTHLY ECONOMIC REPORT

REFS: (A) STATE 115344; (B) STATE 128009; (C) LA PAZ 2103;
(D) STATE 071323.

1. MOST RECENT MONTHLY DATA KEYED ACCORDING STATE REFTELS IN
PARA 2, 3 AND 4.

2. ALL DATA IN \$US MILLIONS:

A. GROSS CENTRAL BANK F/X RESERVES: MAY 1973: 72.5. JUNE:
70.6.

B. NET CENTRAL BANK F/X RESERVES: MAY: 41.3. JUNE: 46.4

1) NET IMF CREDIT: MAY: -19.7. JUNE: -19.7.

2) OVERDRAFT: MAY: -11.4. JUNE: -3.8.

C. GROSS GOB BORROWING FROM CENTRAL BANK: MAY: 2,381.
JUNE: 2,511.

D. NET GOB BORROWING FROM CENTRAL BANK: MAY: 1,902.
JUNE: 1,913.

E. MONEY SUPPLY, 1973: MARCH: 2,206. APRIL: 2,291.

F. CUMULATIVE CENTRAL GOVERNMENT REVENUES: APRIL: 651.9.

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MAY: 863.8. JUNE: 1,010.1.

G. CUMULATIVE INTERNAL REVENUE: APRIL: 255.4 MAY: 343. ..
JUNE: 400.0.

H. CUMULATIVE CUSTOMS REVENUE: APRIL: 177.4. MAY: 239.2.
JUNE: 278.6.

I. CUMULATIVE TREASURY EXPEND-
ITURES: APRIL: 791.3. MAY: 972.8.

J. CUMULATIVE PESO DISBURSEMENTS, 1971 PROGRAM LOAN AND GRANT
(\$B MILLIONS): MAY: 146.1. JUNE: 153.2.

K. CUMULATIVE PESO DISBURSEMENTS, 1972 PROGRAM LOAN (\$B
MILLIONS): MAY: 52.0. JUNE: 72.3.

3. C/B NET F/X RESERVES IN MAY SHOWED DECLINE OF \$US 3.0
MILLION AND IN JUNE INCREASE OF \$US 5.1 MILLION. DURING JUNE
C/B GROSS SALES OF F/X TO REST OF ECONOMY WERE \$US 16.4 MILLION
DOWN FROM \$US 24 MILLION REGISTERED IN MAY. THIS PENOMENON
APPEARS TO BE DUE DELAYS IN PAYMENTS REQUESTED AND/OR C/B
REQUEST TO COMMERCIAL BANKS TO SLOW PURCHASES. (GROSS SALES
TO COMMERCIAL BANKS DECLINED BY \$US 4 MILLION IN JUNE COMPARED TO
MAY). ON THE PURCHASE SIDE, C/B MADE GROSS PURCHASES OF \$US 18.0
MILLION IN JUNE COMPARED TO \$US 19.9 MILLION IN MAY. THE \$B 1.6
MILLION NET SURPLUS OF C/B F/X TRANSACTIONS COMBINED WITH ABOUT
\$B 3.5 MILLION
IN SHORT TERM DEPOSITS MADE BY PUBLIC ENTITIES
EXPLAIN THE INCREASE IN C/B NET F/X RESERVE ASSETS.

4. ALTHOUGH BOTH SALES AND PURCHASES OF F/X BY C/B HAVE
INCREASED SUBSTANTIALLY IN COMPARISON TO SIMILAR PERIOD 1972,
PURCHASES HAVE BEEN SOMEWHAT SKEWED BY BORROWING FROM IMF. ON
SALES SIDE, HOWEVER, THE OCTOBER DEVALUATION SEEMS TO HAVE HAD
LITTLE EFFECT SO FAR ON IMPORTS (ALTHOUGH THIS COULD BE DUE
REPAYMENTS ON IMPORT CONTRACTS FINANCED BY CREDIT PRIOR TO
DEVALUATION)67- *F/X SALES HAVE INCREASED COMPARED TO 1972. THE
HIGHER COSTS OF IMPORTS CONNECTED WITH WORLD MONETARY
PROBLEMS ARE LIKELY MAJOR FACTOR IN HIGHER LEVEL SALES. IN
ADDITION, THERE ARE INDICATIONS THAT CONTRABAND ACTIVITIES MAY
HAVE INCREASED LEADING TO SOME DRAIN IN F/X XO FINANCE PURCHASES.
THE APPARENT INCREASE IN CONTRABAND COULD POSSIBLY BE FURTHER
EXACNRBATED BY RECENT GOB DECISION TO INCREASE CUSTOMS DUTIES
BY AN EFFECTIVE 5 1/2 POINTS OVER PRESENT DUTIES SURCHARGES (FROM
13 PERCENT TO 18 1/2 PERCENT EFFECTIVE RATE). THIS FEAR HAS
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APPARENTLY CAUSED SOME QUARTERS TO BRING PRESSURE ON GOB TO
MODIFY IMPLEMENTATION OF NEW TARIFFS THROUGH GRANTING OF EXEMPTIONS
TO DUTIES. HOWEVER, IT REMAINS TO BE SEEN WHETHER PRESSURE
ADEQUATE TO REVERSE INTENT OF DECISION.

5. CENTRAL GOVERNMENT FINANCIAL OPERATIONS IN GENERAL SHOW
SUBSTANTIAL WORSENING IN FISCAL SITUATION WHICH WAS NOT REFLECTED
IN C/B ACCOUNTS DUE TO MONTH END MANEUVERS TO IMPROVE APPEARANCE

OF ACCOUNTS. NET BORROWING FROM C/B THROUGH JUNE APPROXIMATELY \$B 108 MILLION GENERALLY UNCHANGED SINCE MARCH 1973. HOWEVER, DUE TO A LATE TRANSFER OF FUNDS BY :/B TO TREASURY ON LAST WORKING DAY OF JUNE, TREASURY WAS UNABLE TO SPEND IN JUNE CAUSING CARRYOVER INTO JULY OF ABOUT \$B 132 MILLION IN EXPENDITURES PART OF WHICH WILL BE COVERED BY JULY TAX COLLECTIONS, THUS WE EXPECT NET TREASURY BORROWING FROM C/B TO BE \$B 185 TO \$B 200 MILLION BY END OF JULY.

6. REVENUE PERFORMANCE IN JUNE WORST SINCE JANUARY AS COLLECTIONS DIPPED TO \$B 146 MILLION COMPARED TO A MONTHLY AVERAGE OF \$B 173 MILLION THROUGH MAY. INTERNAL AND CUSTOM TAX COLLECTIONS DROPPED SUBSTANTIALY. APPARENTLY DUE TO SOME ADMINISTRATIVE DIFFICULTIES AND EXPECTATIONS OF LOWER TARIFF LEVELS. EXPORT TAXES CREATED UNDER STABILIZATION PROGRAM CONTINUED TO BE COLLECTED AT LEVEL SLIGHTLY HIGHER THAN AVERAGE THROUGH MAY. COLLECTIONS ON THIS TAX THROUGH JUNE \$B 224 MILLION OF WHICH \$B 179.5 MILLION COLLECTEDSUTROUGH MAY BE FOLLOWING CATEGORIES: 1) 40 PERCENT - \$B 60.1 MILLION; 2) 20 PERCENT - \$B 86.4 MILLION; 3) 15 PERCENT - \$B 20.9 MILLION; 4) ADVANCES AGAINST FCBOVE RATES - \$B 12.1 MILLION (MOSTLY FROM MEDIUM MINERS). ALTHOUGH COLLECTIONS ON SPECIAL EXPORT TAXES BELOW IMF PROJECTION THEY PRESENTLY ARE MOST CONSISTENT COLLECTION ITEM.

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7. GOB EXPENDITURE LEVEL IN JUNE SOMEWHAT LOWER COMPARED TO AVERAGE THROUGH MAY DUE SUBSTANTIALLY TO CARRY OVER INTO JULY. APPARENTLY, C/B MORE CONCERNED WITH EXPENDITURES LEVELS AS THEY FEEL LITTLE CAN BE DONE ON REVENUE SIDE TO IMPROVE PROSPECTIVE FISCAL DEFICIT. THEY PRESENTLY ATTEMPTING TO CONVINCE TREASURY TO CUT BACK ON EXPENDITURES.

8. OFFICIAL COST OF LIVING INDEX CONTINUED SMALL ADVANCES THROUGH MAY, NOTWITHSTANDING FACT THAT FIRST SEMESTER OF YEAR A PERIOD OF MILD PRESSURE ON PRICES. RATE OF INFLATION ESTIMATED AT 20 PERCENT FOR YEAR GIVEN EXPECTED INCREASE IN LIQUIDITY IN ECONOMY BY YEAR-END.

9. ELECTRICITY CONSUMPTION BY INDUSTRY IN LA PAZ CONTINUED DOWNWARD TREND; HOWEVER, POWER CONSUMPTION BY MINES INCREASED SUBSTANTIALLY. CEMENT PRODUCTION APPEARS TO HAVE INCREASED FOR LA PAZ/COCHABAMBA PLANTS. BANK CREDIT TO PRIVATE SECTOR SINCE OCTOBER 1972 THROUGH APRIL GREW BY ABOUT 10 PERCENT. THIS EXPANSION WAS FACILITATED BY RECOVERY IN DEMAND DEPOSITS HELD IN BANKING SYSTEM WHICH INCREASED APPROXIMATELY 15 PERCENT IN SAME PERIOD. ALTHOUGH THESE FAVORABLE SIGNS INDICATE THAT ECONOMY IS OACOVERING FROM INITIAL EFFECTS OF STABILIZATION PROGRAM, IT IS NOT ENTIRELY CLEAR THAT THIS MARKS BEGINNING LIMITED OFFICIAL USE

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OF POSITIVE TREND IN ECONOMY. INCREASING AWARENESS OF CERTAIN SEGMENTS OF BOLIVIAN ECONOMY (AS INDICATED IN SOME RECENT CONVERSATIONS WITH BUSINESSMEN) TO DEPTH OF POTENTIAL FISCAL PROBLEM OF GOB COULD TRIGGER SPECULATIVE AND IMPORT PRESSURE ON F/X WHICH WOULD CLOSE OFF FURTHER AVAILABLE GOB OPTIONS TO REVERSE THE DETERIORATING TREND.
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